

From: karen [mailto:karen@lvdiagnostics.com]

Sent: Tuesday, December 03, 2013 1:41 PM

To: Joseph Theile

Subject: small business impact questionnaire

Dear Mr. Theile,

I am attempting to be responsive to the Small Business Impact Questionnaire, however it is difficult for me to answer your questions in the format you have provided. I am going to answer as if our company has already been formed, although this will not take place until later this month.

1. Currently there is one employee working on this initiative who would be considered an employee of a small business and another few who are either owners or who are going to be subject to a letter of intent to become employees.
2. Although I have not been able to calculate the dollar amounts in many sections, I will attempt to explain what might be the impact for each of the sections below of the draft regulations sent to us last week.
 - a. Section 25. 2 and 3: We believe that only having 30 days notice of the point values assigned for the application will be too tight a timeframe in addition to all the other documentation and material for the application that needs to be prepared. In the last draft of the regulations we were provided a draft of the point values. I would encourage the Division to finalize these point values and make them public as soon as possible. In any event we feel that 30 days is too short a time period and would prefer to have 60 days.
 - b. Section 26. 11; Section 41. 4, 6 & 7; Section 81. 2; Section 101. 6: We feel the education requirements for employees will be costly and it is not clear if we need to hire outside consultants for training and education. Other than some basic training requirements, we feel that each business should be able to decide how much training and who will be conducting training for its employees. My understanding from speaking with consultants is that it could cost between \$20,000 - \$30,000 to fully train staff if we are not able to use in-house trainers. If we have a Master Grower who has owned dispensaries and cultivation facilities and has provided training to employees of those facilities, he should be qualified to conduct in house training for us. With respect to health and safety issues for a production facility, an in house chef could train employees on food and safety issues.
 - c. Section 26. 13: We feel it would be a burden, costly and time consuming to pay for a professionally prepared survey if a local government has not enacted zoning restrictions. If a survey needs to be conducted we feel that our employees are competent to conduct such survey.
 - d. Section 37. 4: We feel that it is an undue burden to be required to audit according to 'generally accepted accounting principles' at least once every 30 days. The tax code requires a monthly audit, there is a daily inventory control/audit and annually our financials will need to be audited. We feel that if we need to audit according to GAP then this audit would need to be done by a CPA, not internally and that a monthly audit of this kind could run us \$2,000 per month.
 - e. Section 73.1: We do not feel that child resistant packaging according with Poison Prevention Packaging should be the standard for medical cannabis. If we are able to use the Substitute labeling statement, "Package Not Child-Resistant" in 1700.5b then I suppose we could still use zip lock packaging. Pharmacy bottles are more expensive than zip lock packaging and are worse for the environment. In addition the square labels as currently suggested would

completely cover the bottle. If we package everything at the Cultivation facility then our patients/customers will not be able to see the product through the bottle. If we have to package everything at the Dispensary instead of at cultivation then this would cause an impact on how we hire employees and who we hire to weigh each package for sale. Any product containing marijuana also includes edibles and I don't think it's feasible to put a brownie in a child resistant package.

- f. Section 76; We feel the size of these labels would cause us to have to package our products in larger pouches than is necessary for the product. Larger packaging is more expensive. The best examples of packaging I saw in AZ were zip lock pouches varying in size by quantity/weight of the product being purchased. Pouches were clear on one side giving patients/customers the opportunity to see the exact product they were purchasing, not just a sample. This is the model we were intending to use.
 - g. Section 105.2(10) (iv): We feel that a system for monitoring environmental conditions is vague and that it is probably covered by (i)-(iii) within that same section. A vague requirement such as this is subject to a consultant charging whatever they want because we have no way of quantifying what this should cover.
 - h. Section 132.: We feel this is a very subjective section and after spending a lot of money to get our cultivation and dispensary open we would not want the Division to arbitrarily come to us and say now we could only produce(or cultivate) a certain amount.
3. We feel most of these regulations will help all of the licensed businesses and recognize that this is an opportunity to get into a new business at the ground level. As with any other business model, being one of the first businesses to get licensed is a great benefit.
4. No
5. No

If you have any questions regarding my attempt to answer your questionnaire, please give me a call.

Kind Regards,

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